

ReAssure Group Limited
(formerly Admin Re UK Limited)
Annual report and financial statements 2016

Company Registration Number 02970583



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Directors and officers

Board of Directors

Matthew Cuhls

Ian Patrick

Robert Ratcliffe (resigned 30 November 2016)

Philip Shaw (resigned 30 November 2016)

Mike Woodcock (resigned 17 March 2017)

Richard Hudson (appointed 17 March 2017)

Brian Dunne (appointed 17 March 2017)

James Gallagher (appointed 17 March 2017)

Philip Long (appointed 17 March 2017)

Company Secretary

Paul Shakespeare

Registered office

Windsor House

Telford Centre

Telford

Shropshire

TF3 4NB

Company registration number

02970583

Strategic report for the year ended 31 December 2016

The directors present their strategic report for the year ended 31 December 2016.

These financial statements, for the year ended 31 December 2016, have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the EU.

Business review and principal activities

The principal activity of the company is to provide strategic direction for the ReAssure group. It acts as the parent undertaking of ReAssure Limited which conducts ordinary long-term insurance business in the United Kingdom, namely life assurance, pensions, permanent health and annuities. It also acts as the parent undertaking of ReAssure UK Services Limited (formerly Admin Re UK Services Limited) which is a supplier of management services. The company aims to deliver growth through selective acquisitions. The company is part of the Swiss Re group, a worldwide reinsurance and financial services provider.

The results for the year are set out on page 9. The profit for the year is £696.2m (2015: £155.5m). Net assets of the company at 31 December 2016 are £3,454.8m (2015: £2,447.0m).

On 6 January 2016, Swiss Re Life Capital Limited acquired ReAssure Jersey One Limited (formerly Guardian Holdings Europe Limited). As part of the acquisition, the investment held by Swiss Re ReAssure Midco Limited (formerly Guardian Finance Limited) in ReAssure Financial Services Holdings UK Limited (formerly Guardian Financial Services Holdings UK Limited) was contributed to the company at book value of £710.0m.

Key performance indicators

Financial key performance indicators ("KPIs") are disclosed in the Business review and principal activities section above. The following non-financial KPIs are some of the other measures used to monitor and manage operational risk.

	2016	2015
Solvency ratio - ReAssure Limited (non-profit fund)	161%	282%
Policy count	2,370,093	1,904,545
Administration complaints per 1,000 policies	0.14	0.14

The solvency ratios for 2016 are calculated under a different basis to 2015. The 2016 solvency ratios are based on the Solvency II regime and the 2015 solvency ratios are based on Solvency I.

Solvency ratio - ReAssure Limited (non-profit fund)

The company acts as an investment holding company and has substantial investment in one life assurance company, ReAssure Limited. The solvency ratio of that company (representing the amount of capital held above the regulatory minimum capital requirement) is a key measure of the financial health of this investment. Pressure on solvency within the company may act as an indicator either that capital support might be required from the company or that the value of its investment could be impaired. The directors are satisfied that at the year end ReAssure Limited held sufficient solvency margin to meet regulatory obligations and operational requirements.

Policy count

The policy count increased during 2016 due to the Part VII transfer of Guardian Assurance Limited on 31 December 2016.

Administration complaints per 1000 policies

The company monitors complaint numbers to ensure that policyholders are receiving a high standard of policy administration and so that issues arising can be investigated, and if appropriate, processes and procedures changed to ensure that complaints do not occur again. The number of administration complaints received per 1000 policies (excluding Guardian) was 0.14 for 2016 (2015: 0.14).

Principal risks and uncertainties

The following have been defined as key business risks:

Strategic report for the year ended 31 December 2016 (continued)

Principal risks and uncertainties (continued)

Financial risk is the risk the company faces as a result of:

- the loan structures in place within the group;
- the need to provide capital to its subsidiaries; and
- other loan commitments.

The company mitigates financial risk through a quarterly capital planning cycle. Its subsidiaries, ReAssure Limited and ReAssure UK Services Limited (formerly Admin Re UK Services Limited), also participate in this planning cycle, hence any capital requirements are factored into the company's capital plan. There is also regular communication with its parent, Swiss Re Life Capital Limited, with regard to loan repayments and capital requirements.

Liquidity risk is the risk that cash may not be available to pay obligations. The company monitors cash flow and performs variance analysis against actual cash held. The company manages its liquidity risk by only paying out dividends and making capital repayments once income from its investments has been received and once all expenses have been covered. If there are timing differences between cash inflows and cash outflows then surplus cash is placed only with approved counter-parties or invested in high quality government or corporate bonds.

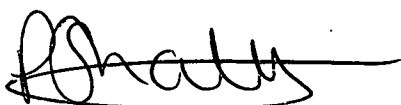
The company is not exposed to currency or equity price risk other than through its investment in subsidiaries.

Additionally as the company participates in a defined benefit pension scheme, there is a risk that the cash contributions required to fund this scheme increase or decrease due to changes in factors such as investment performance, the rates used to discount liabilities and mortality changes. Any increase in deficit contributions will reduce the company's cash flow. Decisions on pension scheme funding, asset allocation and benefit promises are taken by management in consultation with the pension scheme trustees and suitably qualified advisors. The board participates in major decisions on the funding and design of the pension schemes.

Expense risk is the risk that expenses may not be well controlled and unplanned increases in expenses may threaten the solvency of the company. The company mitigates this risk by having a robust budget and planning cycle as well as monthly variance reports and analysis. These reports are reviewed by relevant executives and cost centre managers and remedial action taken if required.

Approval

This report was approved by the Board of Directors on 29 June 2017 and signed on its behalf by:



Paul Shakespeare
Company Secretary
29 June 2017

Directors' report for the year ended 31 December 2016

The directors present their annual report together with the audited financial statements of the company for the year ended 31 December 2016.

Future outlook

On 6 January 2016, Swiss Re Life Capital Holdings Limited, part of the Swiss Re group, completed the acquisition of the entire share capital of ReAssure Jersey One Limited (formerly Guardian Holdings Europe Limited), the holding company for operations trading under the name Guardian Financial Services ("Guardian") from private equity company Cinven.

On the same date, ReAssure Group Limited ("RGL") (formerly Admin Re UK Limited) was contributed by Swiss Re Life Capital Limited, its former immediate parent company, to Swiss Re ReAssure Midco Limited ("SRARM") (formerly Guardian Finance Limited), its new immediate parent company. RGL remains part of the Swiss Re group. Also on the same date, SRARM contributed ReAssure FSH UK Limited ("RFSH") (formerly Guardian Financial Services Holdings UK Limited) to RGL at its book value of £710.0m.

On the date of acquisition, a £12.5m capital contribution was received from Swiss Re Life Capital Limited through the Jersey based entities, to the Company.

Guardian specialises in providing life (re)-insurance solutions to financial institutions and insurance companies, either through the acquisition of closed book blocks of business or through entering reinsurance agreements with its customers. The transaction has enhanced the group's position as a leading closed life book consolidator in the UK, diversifying its current business mix, adding approximately 900,000 policies including new annuity, life insurance and pension policies to its books, consequently expanding the policyholder and asset base.

The company continues to look for opportunities to acquire further blocks of long-term insurance business. This is consistent with the desire of its ultimate parent company, Swiss Re Limited, to offer life and pension administration solutions to direct insurance writers.

Change in company name

The company changed its name by way of special resolution from Admin Re UK Limited to ReAssure Group Limited on 22 December 2016.

Financial risk management

Principal risks and uncertainties affecting the company, including financial risks are explained in the strategic report.

Dividends

An interim ordinary dividend of £346.0m (2015: £151.0m) was paid during the year. The directors have proposed a final ordinary dividend of £891m for the year ended 31 December 2016.

Directors

The directors of the company who were in office during the year and up to the date of signing the financial statements are shown on page 2.

Qualifying third party indemnity provisions

The company's directors are covered by the Swiss Re Limited indemnity provision policy, which was in force during the financial year and at the date of signing the financial statements. This indemnifies directors in respect of payments, as well as any costs associated with legal proceedings brought by third parties. Any director who serves or served for the company is covered to the fullest extent permitted by law and stated in the certificate of incorporation, articles of association, by-laws and other similar constituent documents of the company. Swiss Re Limited unconditionally guarantees payment of such sums by the company.

Directors' report for the year ended 31 December 2016 (continued)

Directors' responsibilities statement

The directors are responsible for preparing the Strategic Report, Directors' Report and financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU) and applicable law.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, International Accounting Standard 1 requires that directors:

- (i) select suitable accounting policies and then apply them consistently;
- (ii) make judgements and accounting estimates that are reasonable and prudent;
- (iii) state whether they have been prepared in accordance with IFRSs as adopted by the EU; and
- (iv) prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

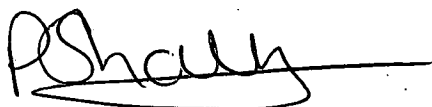
Independent Auditors

The directors confirm that the financial statements comply with the above requirements and also confirm that:

- (i) so far as each director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- (ii) each director has taken all the steps that he ought to have taken as a director in order to make himself aware of relevant audit information and to establish that the company's auditors are aware of that information.

PricewaterhouseCoopers LLP have indicated their willingness to be reappointed for another term and appropriate arrangements have been put in place for them to be deemed reappointed as auditors in the absence of an Annual General Meeting.

By order of the Board of Directors



Paul Shakespeare
Company Secretary
29 June 2017

Independent auditors' report to the members of ReAssure Group Limited (formerly Admin Re UK Limited)

Reports on the financial statements

Our Opinion

In our opinion, ReAssure Group Limited (formerly Admin Re UK Limited)'s financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 December 2016 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

The financial statements, included within the Annual Report and financial statements (the "Annual Report"), comprise:

- the Balance sheet as at 31 December 2016;
- the Income statement and Statement of comprehensive income for the year then ended;
- the Statement of cash flows for the year then ended;
- the Statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is IFRS as adopted by the European Union, and applicable law.

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In addition, in light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Directors' Report. We have nothing to report in this respect.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Independent auditors' report to the members of ReAssure Group Limited (formerly Admin Re UK Limited) (continued)

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Our responsibilities and those of the directors

As explained more fully in the directors' responsibilities statement on pages 5 and 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK & Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the parent company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report. With respect to the Strategic Report and Directors' Report, we consider whether those reports include the disclosures required by applicable legal requirements.



Mark Bolton (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
29 June 2017

Income statement

For the year ended 31 December 2016

	Note	2016 £m	2015 £m
Administrative expenses		(40.4)	(42.7)
Operating loss		(40.4)	(42.7)
Net investment income	4	730.4	206.2
Profit on ordinary activities before interest and taxation		690.0	163.5
Interest income	5	0.6	7.3
Finance costs	6	-	(27.5)
Other finance income	7	1.2	0.8
Profit on ordinary activities before taxation		691.8	144.1
Tax credit on profit on ordinary activities	9	4.4	11.4
Profit for the financial year		696.2	155.5

All results derive from continuing operations.

Statement of comprehensive income

For the year ended 31 December 2016

	Note	2016 £m	2015 £m
Profit for the financial year		696.2	155.5
Other comprehensive income/ (expense):			
Items that will not be reclassified subsequently to profit or loss			
Actuarial loss on defined benefit pension schemes	8	(78.1)	(0.3)
Movement in related deferred tax	10	13.2	0.1
Total comprehensive income for the year		631.3	155.3

Balance sheet

As at 31 December 2016

	Note	2016 £m	2015 £m
Non-current assets			
Pension scheme assets	8	-	28.6
Investment in group undertakings	12	3,397.0	2,347.4
Debt securities	15	13.9	-
		<u>3,410.9</u>	<u>2,376.0</u>
Current assets			
Other receivables	13	12.2	13.7
Deferred tax	10	13.3	0.1
Cash and cash equivalents	14	141.2	68.3
		<u>166.7</u>	<u>82.1</u>
Total assets		<u>3,577.6</u>	<u>2,458.1</u>
Non-current liabilities			
Pension scheme liability	8	(43.0)	-
		<u>(43.0)</u>	<u>-</u>
Current liabilities			
Other payables	16	(79.8)	(11.1)
Total liabilities		<u>(122.8)</u>	<u>(11.1)</u>
Net assets		<u>3,454.8</u>	<u>2,447.0</u>
Equity			
Share capital	17	73.1	73.1
Share premium		83.9	83.9
Other reserves	18	710.8	0.8
Retained earnings		2,587.0	2,289.2
Total equity		<u>3,454.8</u>	<u>2,447.0</u>

The financial statements of ReAssure Group Limited (formerly Admin Re UK Limited), (registered number 02970583) were approved by the Board of Directors and authorised for issue on 29 June 2017 and signed on its behalf by:



Matthew Cuhls
Director
29 June 2017

Statement of changes in equity

For the year ended 31 December 2016

	Attributable to owners of the company				
	Share capital £m	Share premium £m	Other reserves £m	Retained earnings £m	Total equity £m
1 January 2016	73.1	83.9	0.8	2,289.2	2,447.0
Profit for the financial year	-	-	-	696.2	696.2
Other comprehensive income for the year	-	-	-	(64.9)	(64.9)
Total comprehensive income for the year	-	-	-	631.3	631.3
Dividends	-	-	-	(346.0)	(346.0)
Capital contributions	-	-	710.0	12.5	722.5
At 31 December 2016	73.1	83.9	710.8	2,587.0	3,454.8

For the year ended 31 December 2015

	Attributable to owners of the company				
	Share capital £m	Share premium £m	Other reserves £m	Retained earnings £m	Total equity £m
1 January 2015	73.1	83.9	0.8	1,734.9	1,892.7
Profit for the financial year	-	-	-	155.5	155.5
Other comprehensive income for the year	-	-	-	(0.2)	(0.2)
Total comprehensive income for the year	-	-	-	155.3	155.3
Dividends	-	-	-	(151.0)	(151.0)
Capital contributions	-	-	-	550.0	550.0
At 31 December 2015	73.1	83.9	0.8	2,289.2	2,447.0

Statement of cash flows

For the year ended 31 December 2016

	Note	2016 £m	2015 £m
Net cash generated from/(used in) operating activities	20	28.7	(37.0)
Cash flows from investing activities			
Interest received	5	0.1	7.9
Dividends received from subsidiary undertaking	4	406.0	250.2
Realised gains/(losses) on short term		0.3	(0.5)
Capital contribution made to subsidiary undertaking		(15.0)	(100.0)
Net cash flows generated from investing activities		391.4	157.6
Cash flows from financing activities			
Dividends paid	11	(346.0)	(151.0)
Repayment of borrowings		-	(390.0)
Proceeds on repayment of loan to group undertakings		-	100.0
Interest paid	6	-	(27.5)
Other finance income/(expense)		(1.2)	-
Capital contribution received from parent company		-	390.0
Net cash flows used in financing activities		(347.2)	(78.5)
Net increase in cash and cash equivalents		72.9	42.1
Cash and cash equivalents at the beginning of the year	14	68.3	26.2
Cash and cash equivalents at the end of the year		141.2	68.3

Notes to the financial statements for the year ended 31 December 2016

1. Accounting policies

The principal accounting policies are summarised below. They have been applied consistently throughout the year and preceding year.

a) Basis of preparation

The financial statements have been prepared under the historical cost convention on a going concern basis in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and adopted by the European Union (EU) and those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

The company is a wholly-owned subsidiary of Swiss Re Life Capital Limited and is included in the consolidated financial statements of Swiss Re Limited which are publicly available. Consequently, the company has taken advantage of the exemption from preparing consolidated financial statements under the terms of section 401 of the Companies Act 2006 and IFRS 10 Consolidated Financial Statements, paragraph 4(a).

b) New standards, amendments and policies not yet adopted by the company

The following new standards have not yet been adopted by the company:

IFRS 9 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in international accounting standard ("IAS") 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through profit and loss and fair value through the income statement. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit and loss with the irrevocable option at inception to present changes in fair value in profit and loss not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. However under the deferred option provided for insurance companies, the Company is entitled to defer implementation until 1 January 2021.

IFRS 15 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted.

IFRS 16 'Leases' addresses the definition of a lease, recognition and measurement of leases and establishes principles for reporting useful information to users of financial statements about the leasing activities of both lessees and lessors. A key change arising from IFRS 16 is that most operating leases will be accounted for on balance sheet for lessees. The standard replaces IAS 17 'Leases', and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2019 and earlier application is permitted, subject to EU endorsement and the entity adopting IFRS 15 'Revenue from contracts with customers' at the same time. The full impact of IFRS 16 has not yet been assessed.

Management anticipates that these new standards, interpretations and amendments will be adopted in the company's financial statements as and when the adoption of these new standards, interpretations and amendments are applicable, which may have no material impact on the financial statements of the company in the period of initial application.

Notes to the financial statements for the year ended 31 December 2016 (continued)

c) Critical accounting estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and underlying assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below:

Pension benefits

The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations. The company determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the company considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension obligation. Other key assumptions for pension obligations are based in part on current market conditions. Additional information is disclosed in note 8.

Investment in group undertakings

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. Investment in subsidiaries are valued at cost less impairment per IAS/IFRS requirements. The carrying value of the company's investment in ReAssure Limited has been assessed for impairment with reference to the Solvency II valuation of the underlying business. The non-profit fund capital value, excluding transitional measures, has been used in the impairment review on the investment.

d) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and short-term deposits with an original maturity term of three months or less at the date of placement. The carrying amount of these assets approximates to their fair values.

e) Investments

Shares in and loans to subsidiary undertakings are accounted for under the historical cost convention. At each balance sheet date, the company performs an assessment of the estimated realisable value of each investment in a subsidiary. Where the estimated realisable value is less than the carrying value, the investment is impaired.

The impairment, which is calculated as the difference between the carrying value and the estimated realisable value, is charged to the income statement. Where an investment in a subsidiary has previously been impaired and a subsequent estimation of that investment's realisable value is higher than the impaired carrying value, the previous impairment is reversed through the income statement. The maximum value for this is that of the original historical cost.

f) Interest payable

Interest payable is charged to the income statement on an accruals basis.

g) Taxation

Current tax comprises tax payable on current period profits, adjusted for non-tax deductible or non-taxable items, and any adjustments to tax payable in respect of previous periods. Current tax is recognised in the income statement unless it relates to items which are recognised in other comprehensive income.

Deferred tax is calculated on differences between the accounting value of assets and liabilities and their respective tax values. Deferred tax is also recognised in respect of unused tax losses to the extent that it is probable that future taxable profits will arise against which the profits can be utilised. Deferred tax is charged or credited to the income statement, except when it relates to items charged or credited directly to equity.

Notes to the financial statements for the year ended 31 December 2016 (continued)

g) Taxation (continued)

Deferred tax is measured at the tax rates that are expected to apply to the period when the asset is realised or the liability settled, based on tax rates (and laws) that have been enacted or are substantively enacted at the end of the reporting period.

h) Retirement benefits

The company operates one defined benefit pension scheme, the Admin Re Staff Pension Scheme, which is closed to future accruals. The company follows the provisions on IAS 19 Employee Benefits in accounting for the scheme. The cost of providing benefits is determined using the projected unit credit valuation method.

The defined benefit asset or liability comprises the present value of the defined benefit obligation (using a discount rate based on high quality corporate bonds) less the fair value of plan assets out of which the obligations are to be settled. Plan assets are held by a separately administered fund and are not available to the company nor can they be paid directly to the company. Fair value is based on market price information and in the case of quoted securities or investment vehicles it is the published price.

A finance charge is determined on the net defined benefit pension liability. The operating and financing costs of such plans are recognised separately in the income statement; service costs are spread systematically over the lives of employees; and certain liability management costs and financing costs are recognised in the periods in which they arise. Actuarial gains and losses are recognised immediately in the Statement of Comprehensive Income.

The company also operates an unfunded, unapproved retirement benefit scheme or private retirement trust for one deferred member.

2. Auditors' remuneration

The analysis of auditors' remuneration is as follows:

	2016 £m	2015 £m
Fees payable to the company's auditors for the statutory audit of the company's annual financial statements	0.1	0.1
Fees payable to the company's auditors for other services		
The audit of the company's subsidiaries	0.6	0.6
Total audit fees	0.7	0.7
 Audit related assurance services	 0.6	 0.8
Other assurance services	0.4	0.9
Total fees	1.7	2.4

Audit related assurance services include the audit of regulatory returns, review of reporting to the group's parent company and audit of embedded value reporting. Other assurance services include fees for assurance services to assess the preparedness of the business for Solvency II implementation.

Auditors' remuneration is borne by ReAssure UK Services Limited (formerly Admin Re UK Services Limited), a subsidiary undertaking.

3. Staff costs and directors' remuneration

No staff were employed by the company in the current or prior year. The directors received no remuneration for their services to the company (2015: nil).

Notes to the financial statements for the year ended 31 December 2016 (continued)

4. Net investment income

	2016 £m	2015 £m
Dividends received from subsidiary undertakings	406.0	250.2
Amounts written back/(written off) investments (see note 12)	324.6	(44.1)
Unrealised (losses)/gains on short term investments	(0.2)	0.1
	<u>730.4</u>	<u>206.2</u>

5. Interest income

	2016 £m	2015 £m
Income from loans to group companies	0.1	7.9
Income/(loss) from other financial investments	0.5	(0.6)
	<u>0.6</u>	<u>7.3</u>

6. Finance costs

	2016 £m	2015 £m
Interest payable to group companies	-	27.5

7. Other finance income

	2016 £m	2015 £m
Net interest income on net defined pension benefit asset	<u>1.2</u>	<u>0.8</u>

8. Retirement benefit schemes

The company operates one defined benefit scheme, the Admin Re Staff Pension Scheme ("ARSPS") which is closed to future accruals. The company also operates an unfunded unapproved retirement benefit scheme or private retirement trust for one deferred member. A defined contribution pension scheme, the Group Personal Pension scheme, is operated by ReAssure UK Services Limited (formerly Admin Re UK Services Limited), a subsidiary undertaking.

The company has an unconditional right to the return of any surplus in the scheme once all the scheme liabilities have been satisfied. As a result there is no requirement to apply an asset ceiling under IAS 19 and any surplus in the scheme can be recognised as an asset in the company balance sheet.

Future funding requirements are determined by the outcome of the triennial scheme valuation which was last performed at 31 December 2014.

The assumptions used in calculating the accounting costs and obligations of the ARSPS and the private retirement trust, as detailed below, are set by the directors after consultation with independent, professionally qualified actuaries. The basis for these assumptions is prescribed by IAS 19 and they do not reflect the assumptions that may be used in future funding valuations of the ARSPS.

	2016	2015
Discount rate	2.6%	3.8%
Inflation rate	3.5%	3.3%
Rate of increase in salaries	3.5%	3.3%
Rate of increase in pensions	3.5%	3.3%
Rate of increase in deferred benefits during deferment	<u>2.5%</u>	<u>2.3%</u>

Notes to the financial statements for the year ended 31 December 2016 (continued)

8. Retirement benefit schemes (continued)

	2016	2015
Mortality		
Longevity at age 60 for current pensioners		
- Men	29.3 years	29.1 years
- Women	30.9 years	30.7 years
Longevity at age 60 for future pensioners currently aged 45		
- Men	30.9 years	30.8 years
- Women	32.6 years	32.5 years

a) Admin Re Staff Pension Scheme

The assets of the ARSPS are held in separate, trustee administered funds.

The most recent full actuarial valuation for funding purposes was performed by Towers Watson, a firm of independent actuaries, at 31 December 2014.

There were no contributions made in respect of current service for the current and prior years. The company agrees to cover those expenses incurred by the scheme and the cost of the death-in-service benefits for those members of the scheme who are entitled only to those benefits. During the year, the company paid £3.5m (2015: £14.0m) to reduce the deficit in the scheme. In addition, the company paid an augmentation premium of £0.7m (2015: £0.7m) in respect of linked deferred members.

The fair value of the assets of the ARSPS is set out below:

	2016 £m	2015 £m
Equities	139.8	127.1
Bonds	224.5	196.2
Gilts	27.2	16.3
Other	2.1	7.6
	<u>393.6</u>	<u>347.2</u>

The equity investments and bonds which are held in scheme assets are quoted and are valued at the bid price at 31 December.

The table below details the movements in the pension assets and liabilities recorded through the income statement and other comprehensive income:

	Fair value of scheme assets £m	Present value of obligation £m	Asset/(liability) recognised on balance sheet £m
At 1 January 2016	347.2	(317.3)	29.9
Current service cost	-	(1.2)	(1.2)
Interest income/(cost)	13.1	(11.9)	1.2
Administrative expenses	(1.2)	-	(1.2)
Total amounts recognised in income statement	<u>11.9</u>	<u>(13.1)</u>	<u>(1.2)</u>
Actuarial (loss)/gain	37.0	(114.6)	(77.6)
Total remeasurement in other comprehensive income	<u>37.0</u>	<u>(114.6)</u>	<u>(77.6)</u>
Contributions paid by employer	6.5	-	6.5
Benefits paid	(9.0)	10.2	1.2
At 31 December 2016	<u>393.6</u>	<u>(434.8)</u>	<u>(41.2)</u>

Notes to the financial statements for the year ended 31 December 2016 (continued)

8. Retirement benefit schemes (continued)

a) Admin Re Staff Pension Scheme (continued)

	Fair value of scheme assets £m	Present value of obligation £m	Asset/(liability) recognised on balance sheet £m
At 1 January 2015	340.2	(325.8)	14.4
Current service cost	-	(0.8)	(0.8)
Interest income/(cost)	12.6	(11.9)	0.7
Administrative expenses	(0.8)	-	(0.8)
Total amount recognised in income statement	11.8	(12.7)	(0.9)
Actuarial (loss)/gain	(12.1)	11.8	(0.3)
Total remeasurement in other comprehensive income	(12.1)	11.8	(0.3)
Contributions paid by employer	15.9	-	15.9
Benefits paid	(8.6)	9.4	0.8
At 31 December 2015	347.2	(317.3)	29.9

The sensitivities regarding the principal assumptions used to measure the scheme liabilities are as follows:

Assumption	Change in assumption	Impact on scheme liabilities
Discount rate	Increase/decrease by 0.1%	Decrease/increase by 2%
RPI inflation*	Increase/decrease by 0.1%	Decrease/increase by 2%

* including associated changes to pension increases, salary increases and CPI inflation.

Risks and risk management

The ARSPS, in common with the majority of such defined benefit pension schemes in the UK, has a number of areas of risk. These areas of risk, and the ways in which the company has sought to manage them, are set out below:

i) Asset volatility

The scheme currently invests in equities, corporate bonds and index linked gilts. These assets are subject to market risk in the form of both equity price risk from changes in equity prices and interest rate risk from changes in interest rates. The investments in corporate bonds also carry default risk, although defaults from corporate bonds held by the scheme have historically been low.

The plan liabilities are calculated using a discount rate set with reference to corporate bond yields; if plan assets underperform this yield, this will create a deficit. The plan equities are expected to outperform corporate bonds in the long-term while providing volatility and risk in the short-term. If yields on corporate bonds fall then plan liabilities will increase although this will be partially offset by an increase in the value of the plans bond holdings.

As the plan matures, the company intends to reduce the level of investment risk by investing more in assets that better match the liabilities. Over the last year the scheme has reduced its equity holding and invested in some index linked gilts. However while planning to reduce investment risk over the long term, the company believes that due to the long-term nature of the plan liabilities and the strength of the supporting group, in the short to medium term a level of continuing equity investment is an appropriate element of the group's long term strategy to manage the plan efficiently.

Notes to the financial statements for the year ended 31 December 2016 (continued)

8. Retirement benefit schemes (continued)

a) Admin Re Staff Pension Scheme (continued)

ii) Inflation risk

The pension obligations are linked to inflation, and higher inflation will lead to higher liabilities (although caps on the level of inflationary increases are in place to protect the plan against extreme inflation). The majority of the plan's assets are either unaffected by (corporate bonds) or loosely correlated with (equities) inflation, meaning that an increase in inflation will also increase the deficit. However during the year the scheme sold some of its equity holdings and reinvested in index linked gilts, which provide a hedge against inflation risk. While the holding of index linked gilts is currently small relative to the total size of the fund they do provide some protection against inflation risk.

iii) Life expectancy

The majority of the plan's obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the plan's liabilities.

b) Private retirement trust

The company operates an unfunded unapproved retirement benefit scheme or private retirement trust for one deferred member.

The fair value of the assets of the Private Retirement Trust is set out below:

	2016 £m	2015 £m
Equities	0.2	0.2
Other	0.1	0.1
	<u>0.3</u>	<u>0.3</u>

The equity investments which are held in scheme assets are quoted and are valued at the bid price at 31 December.

The table below details the movements in the pension assets and liabilities recorded through the income statement and other comprehensive income relating to the private retirement trust.

	Fair value of scheme assets £m	Present value of obligation £m	Liability recognised on balance sheet £m
At 1 January 2016	0.3	(1.6)	(1.3)
Actuarial loss taken to other comprehensive income	-	(0.5)	(0.5)
At 31 December 2016	0.3	(2.1)	(1.8)

	Fair value of scheme assets £m	Present value of obligation £m	Liability recognised on balance sheet £m
At 1 January 2015	0.3	(1.6)	(1.3)
Actuarial loss taken to other comprehensive income	-	(0.0)	(0.0)
At 31 December 2015	0.3	(1.6)	(1.3)

Notes to the financial statements for the year ended 31 December 2016 (continued)

9. Taxation on profit on ordinary activities

a) Analysis of credit in year	2016 £m	2015 £m
Current		
UK corporation tax	3.9	11.1
Adjustments in respect of prior periods	0.5	0.3
Total current tax credit for the year	4.4	11.4
Tax on profit on ordinary activities	4.4	11.4

b) Reconciliation of tax credit on profit attributable to shareholders

The tax assessed for the year is lower (2015: lower) than the standard rate of corporation tax in the UK of 20% (2015: 20.25%). The differences are explained below:

	2016 £m	2015 £m
Profit on ordinary activities before taxation	691.8	144.1
Tax on profit on ordinary activities at 20% (2015: 20.25%)	(138.4)	(29.2)
Effects of:		
Non-taxable dividend income	81.2	50.7
Timing differences in respect of pension contributions paid	-	3.3
Permanent disallowable items	65.0	(9.6)
Transfer pricing adjustments	(3.9)	(4.1)
Adjustments in respect of prior years	0.5	0.3
Total tax credit for the year	4.4	11.4

c) Factors affecting the current and future tax charges

A reduction of 1% to the corporation tax rate (reducing the rate to 19%) for the year commencing 1 April 2017, was enacted by Royal Assent on 26 October 2015. A further reduction of 2% to the corporation tax rate (reducing the rate to 17%) for the year commencing 1 April 2020, was subsequently enacted by Royal Assent. Accordingly, the relevant deferred tax balances have been measured at 17%.

10. Deferred tax

	2016 £m	2015 £m
Net deferred tax asset opening balance	0.1	0.0
Charged to the statement of comprehensive income	13.2	0.1
Net deferred tax asset closing balance	13.3	0.1

The deferred tax asset relates to the pension scheme and arises from the movement in OCI over the year. The pension scheme is expected to be fully financed by the business and as the OCI loss is reduced a tax deduction can be claimed. Accordingly it is appropriate to recognise a deferred tax asset in relation to the OCI movement.

Deferred tax assets are recognised only when projections indicate that it is more likely than not that timing differences will reverse or losses will be relieved within the group.

Notes to the financial statements for the year ended 31 December 2016 (continued)

11. Dividends

	2016 £m	2015 £m
Interim ordinary dividend paid	346.0	151.0

The directors have proposed and approved a final dividend of £891m at the date of signing the financial statements in respect of the year ended 31 December 2016 (2015: nil).

12. Investment in group undertakings

	2016 £m	2015 (Restated) £m
Cost		
At 1 January	2,788.0	2,528.0
Subscription for shares (i)	15.0	-
Capital contribution (ii)	710.0	260.0
At 31 December	3,513.0	2,788.0
Provision for impairment		
At 1 January	440.6	396.5
Reversal for the year (iii)	(324.6)	44.1
At 31 December	116.0	440.6
Net book value	3,397.0	2,347.4

Values in 2015 have been re-stated to show separately amounts in cost and provision that were previously netted off. This has increased both the cost and the provision by £240.4m but has no impact on the net book value.

(i) In the year ended 31 December 2016, the company subscribed for 15,000,000 £1 ordinary shares in its subsidiary ReAssure UK Services Limited (formerly Admin Re UK Services Limited).

(ii) On 6 January 2016, Swiss Re Life Capital Limited acquired ReAssure Jersey One Limited (formerly Guardian Holdings Europe Limited). As part of the acquisition, the investment held by Swiss Re ReAssure Midco Limited (formerly Guardian Finance Limited) in ReAssure Financial Services Holdings UK Limited (formerly Guardian Financial Services Holdings UK Limited) was contributed to the company at book value of £710.0m.

In the prior year, a capital contribution of £100.0m was made by the company to ReAssure Limited the proceeds of which were used to repay the loan owing from ReAssure Limited to the company. On the same date the investment held by Swiss Re Life Capital Limited in ReAssure was passed to the company at book value of £160.0m.

(iii) The directors review the carrying value of the company's investments in subsidiary undertakings in the manner set out in the accounting policies. In doing this the directors consider the value of all fixed assets of the company without necessarily revaluing those assets. As at 31 December 2016 the directors consider a provision of £19m for the investment in ReAssure UK Services Ltd and a write back of £343m of provisions previously raised against the investment in ReAssure Ltd, the value of which has increased following the Part VII of Guardian Ltd.

On the date of acquisition, a £12.5m capital contribution was also received from Swiss Re Life Capital Limited through the Jersey based entities, to the Company.

The interest held by the company is the ordinary share capital of its subsidiary undertakings, all of which are registered in England and Wales, with the exception of Ark Life Assurance Company dac, which is registered in the Republic of Ireland.

Company	Principal activity	Holding
Direct subsidiaries		
ReAssure Limited	Long-term insurance	100%
ReAssure UK Services Limited (formerly: Admin Re UK Services Limited)	Management service company	100%
ERIP General Partner Limited	Management service company	80%
ReAssure Financial Services Holdings UK Limited (formerly: Guardian Financial Services Holdings UK Limited)	Management service company	100%

Notes to the financial statements for the year ended 31 December 2016 (continued)

12. Investment in group undertakings (continued)

Company	Principal activity	Holding
Direct subsidiaries		
C Financial Management Limited	Intermediate holding	100%
G Life H Limited	Intermediate holding	100%
BL Telford Limited	Non-trading	100%
Reassure UK Life Assurance Company Limited	Non-trading	100%
Reassure Life Limited	Non-trading	100%
NM Life Trustees Limited	Non-trading	100%
NM Pensions Limited	Non-trading	100%
ReAssure Pension Trustees Limited (formerly: Admin Re Pension Trustees Limited)	Dormant	100%
Indirect subsidiaries		
Ark Life Assurance Company dac (Ireland)	Long-term insurance	100%
Guardian Assurance Limited (formerly: ReAssure Life Limited)	Long-term insurance	100%
ReAssure Companies Services Limited (formerly: Guardian Companies Services Limited)	Management service company	100%
G Assurance & Pension Services Limited	Non-trading	100%
Reassure Linked Life Limited (formerly: Guardian Linked Life Assurance Limited)	Non-trading	100%
ReAssure Pensions Management Limited (formerly: Guardian Pensions Management Limited)	Non-trading	100%
Namulas Pension Trustees Limited	Dormant	100%
Gresham Life Assurance Society Limited	Dormant	100%
ReAssure Trustees Limited (formerly: Admin Re Trustees Limited)	Dormant	100%
G Financial Services Limited	Dormant	100%
G Trustees Limited	Dormant	100%
ReAssure Nominees Limited (formerly: Guardian Nominees Ltd)	Dormant	100%
ReAssure FS Limited (formerly: Guardian Financial Services Limited)	Dormant	100%
National Mutual Life Assurance Society Limited	In administration	100%

The registered office of Ark Life Assurance Company DAC is 3rd Floor, College Park House, Nassau Street, Dublin 2, Ireland. The registered office of the remaining subsidiaries, is Windsor House, Telford Centre, Telford, Shropshire, TF3 4NB.

The company has confirmed that so long as it remains the immediate parent undertaking of its subsidiaries, it intends to provide such financial and other support as is necessary for the subsidiary undertakings to continue to trade or otherwise meet their obligations as they fall due.

13. Other receivables

	2016 £m	2015 £m
Amounts owed by group undertakings	7.8	0
Other debtors	-	2.3
Current income tax receivable	4.4	11.4
	12.2	13.7

14. Cash and cash equivalents

	2016 £m	2015 £m
Cash at bank and in hand	141.2	13.4
Short-term bank deposits	-	54.9
	141.2	68.3

There are no amounts included in the cash and cash equivalents balances that are not readily available.

Notes to the financial statements for the year ended 31 December 2016
(continued)

15. Debt securities

	2016 £m	2015 £m
Debt securities at fair value through profit or loss	13.9	-
	13.9	-

16. Other payables

	2016 £m	2015 £m
Current liabilities		
Amounts owed to group undertakings	(9.7)	(9.0)
Other creditors including tax	(70.1)	0.0
Current income tax liabilities	-	(2.1)
	(79.8)	(11.1)
	2016 £m	2015 £m
Non-current liabilities		
Amounts owed to group undertakings	-	-

The other creditors balance includes a £5m termination provision created for the settlement of the Robert Ratcliffe's contract.

17. Share capital

	2016 £m	2015 £m
Issued and fully paid		
73,050,694 ordinary shares of £1 each	73.1	73.1

18. Other Reserves

	2016 £m	2015 £m
Other reserves		
	710.8	0.8
	710.8	0.8

On 6 January 2016, Swiss Re Life Capital Limited acquired ReAssure Jersey One Limited (formerly Guardian Holdings Europe Limited). As part of the acquisition, the investment held by Swiss Re ReAssure Midco Limited (formerly Guardian Finance Limited) in ReAssure Financial Services Holdings UK Limited (formerly Guardian Financial Services Holdings UK Limited) was contributed to the company at book value of £710.0m.

As the transfer of assets in this transaction is unrealised, the capital contribution is non-distributable and is therefore recognised under other reserves.

19. Related party transactions

a) Immediate and ultimate parent undertaking

The company is incorporated and domiciled in England and Wales. The immediate parent company is Swiss Re ReAssure Midco Ltd (formerly Guardian Finance Limited), incorporated in Jersey. The parent company of the smallest group in which the results of the company are consolidated is that of Swiss Re Life Capital Limited, incorporated in England and Wales.

Notes to the financial statements for the year ended 31 December 2016 (continued)

19. Related party transactions (continued)

a) Immediate and ultimate parent undertaking (continued)

The parent company of the largest group in which the results of the company are consolidated is that of Swiss Re Limited, the ultimate and controlling parent undertaking. The consolidated financial statements of Swiss Re Limited may be obtained on www.swissre.com or from its registered office at Mythenquai 50/60, PO Box 8022, Zurich,

b) Services received from related parties

	2016 £m	2015 £m
Subsidiaries	6.9	12.1

c) Year-end balances with related parties (excluding loans)

	2016 £m	2015 £m
Parent	0.3	(4.3)
Subsidiaries	(5.7)	-
Other subsidiary undertakings of Swiss Re Limited	3.7	(2.4)
	<u>(1.7)</u>	<u>(6.7)</u>

d) Loans with related parties

	2016 £m	2015 £m
At 1 January	-	290.0
Interest charged	-	20.5
Interest paid	-	(20.5)
Repayment of loans	-	(290.0)
At 31 December	-	-

20. Net cash generated from/(used in) operating activities

	2016 £m	2015 £m
Operating loss for the year	(40.4)	(42.7)
Adjustments for:		
Other gains	-	0.0
Adjustment for pension funding	(5.2)	(15.2)
Increase in deferred tax asset	13.2	0.1
Income taxes paid	(2.1)	0.0
(Increase)/decrease in receivables	(5.3)	19.2
Increase in payables	68.5	1.6
Net cash generated from/(used in) operating activities	<u>28.7</u>	<u>(37.0)</u>